



**NUINSCO RESOURCES LIMITED**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2018**

**(unaudited)**

**DATED AUGUST 14, 2018**

## **Management's Comments on Unaudited Condensed Consolidated Financial Statements**

The accompanying unaudited condensed consolidated financial statements of Nuinsco Resources Limited for the three and six months ended June 30, 2018 and 2017 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited condensed consolidated financial statements have not been reviewed by an auditor.

# Nuinsco Resources Limited

## Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2018 and December 31, 2017 (unaudited)

(in Canadian dollars)	<i>Notes</i>	June 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	6	\$ 18,812	\$ 172,247
Marketable securities	9	295,572	-
Promissory note receivable	10	94,708	-
Receivables	7	124,546	58,067
<b>Total current assets</b>		<b>533,638</b>	230,314
<b>Non-current assets</b>			
Promissory note receivable	10	-	89,209
Property and equipment	8	35,173	39,115
Exploration and evaluation projects	9	180,018	508,587
<b>Total non-current assets</b>		<b>215,191</b>	636,911
<b>Total Assets</b>		<b>\$ 748,829</b>	<b>\$ 867,225</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 243,018	\$ 323,776
<b>Total current liabilities</b>		<b>243,018</b>	323,776
<b>Non-current liabilities</b>			
Long-term liabilities	12	741,438	973,413
<b>Total Liabilities</b>		<b>984,456</b>	1,297,189
<b>Shareholders' deficiency</b>			
Share capital	14	98,636,939	98,417,649
Contributed surplus		5,933,925	5,929,925
Warrants	14	6,100	6,100
Accumulated other comprehensive loss		(2,147,261)	(2,147,261)
Deficit		(102,665,330)	(102,636,377)
<b>Total shareholders' deficiency</b>		<b>(235,627)</b>	(429,964)
<b>Total Liabilities and Shareholders' Deficiency</b>		<b>\$ 748,829</b>	<b>\$ 867,225</b>

### NATURE OF OPERATIONS AND GOING CONCERN (Note 1) CONTINGENCY (Note 20)

Approved by the Board of Directors

(signed)

**René R. Galipeau, Director**

(signed)

**Paul Jones, Director**

The accompanying notes are an integral part of these condensed interim consolidated financial statements

# Nuinsco Resources Limited

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss (unaudited)

For the three and six months ended June 30, 2018 and June 30, 2017

(in Canadian dollars)	<b>Notes</b>	Three months ended June 30,		Six months ended June 30,	
		<b>2018</b>	2017	<b>2018</b>	2017
<b>Other expenses</b>					
General and administrative		\$ 186,777	\$ 59,206	\$ 341,096	\$ 123,875
Share based payments		4,000	-	4,000	-
Write down of exploration and evaluation projects		7,265	-	23,783	-
Depreciation of property and equipment	8	1,917	2,405	3,942	4,944
Pre-exploration write-offs		-	500	2,495	500
<b>Loss before the undernoted</b>		<b>(199,959)</b>	<b>(62,111)</b>	<b>(375,316)</b>	<b>(129,319)</b>
Increase in fair value of marketable securities		65,788	-	49,368	-
Interest income		635	-	635	-
Accretion income		3,000	-	5,500	-
Gain on settlement of debt	14(b)	290,860	-	290,860	-
<b>Net Income (Loss) and Comprehensive Income (Loss) for the Period</b>		<b>\$ 160,323</b>	<b>\$ (62,111)</b>	<b>\$ (28,953)</b>	<b>\$ (129,319)</b>
<b>Income (loss) per share</b>					
	15				
Basic loss per share		\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted loss per share		\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

# Nuinsco Resources Limited

## Condensed Interim Consolidated Statements of Shareholders' Deficiency (unaudited) For the six months ended June 30, 2018 and June 30, 2017

(in Canadian dollars)	Share Capital	Shares to be issued	Contributed Surplus	Warrants	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balances as at December 31, 2016</b>	\$ 98,393,149	\$ -	\$ 5,896,175	\$ 33,750	\$ (2,147,261)	\$ (103,035,111)	\$ (859,298)
Proceeds received in advance of closing financing	-	27,600	-	-	-	-	27,600
Net loss for the period	-	-	-	-	-	(129,319)	(129,319)
<b>Balances as at June 30, 2017</b>	\$ 98,393,149	\$ 27,600	\$ 5,896,175	\$ 33,750	\$ (2,147,261)	\$ (103,164,430)	\$ (961,017)
<b>Balances as at December 31, 2017</b>	\$ 98,417,649	\$ -	\$ 5,929,925	\$ 6,100	\$ (2,147,261)	\$ (102,636,377)	\$ (429,964)
Share based payments	-	-	4,000	-	-	-	4,000
Shares issued in accordance with option agreement	1,512	-	-	-	-	-	1,512
Shares issued on sale of property	12,000	-	-	-	-	-	12,000
Shares issued on settlement of debt	182,745	-	-	-	-	-	182,745
Shares issued from private placement	23,033	-	-	-	-	-	23,033
Net income for the period	-	-	-	-	-	(28,953)	(28,953)
<b>Balances as at June 30, 2018</b>	\$ 98,636,939	\$ -	\$ 5,933,925	\$ 6,100	\$ (2,147,261)	\$ (102,661,330)	\$ (235,627)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

# Nuinsco Resources Limited

## Condensed Interim Consolidated Statements of Cash Flows (unaudited)

For the six months ended June 30, 2018 and June 30, 2017

(in Canadian dollars)	<i>Notes</i>	2018	2017
<b>Cash flows from operating activities</b>			
Net loss for the period		\$ (28,953)	\$ (129,319)
Adjustments for:			
Gain on settlement of debt	14&18	(290,860)	-
Share based payments		4,000	-
Accretion	10	(5,500)	-
Depreciation of property and equipment	8	3,942	4,944
Increase in fair value of marketable securities		(49,368)	-
Change in receivables		(66,479)	(5,007)
Change in trade and other payables		(23,126)	(67,193)
Change in long term liabilities	12	184,000	142,000
<b>Net cash used by operating activities</b>		<b>(272,345)</b>	<b>(54,575)</b>
<b>Cash flows from investing activities</b>			
Expenditures on exploration and evaluation projects		(244,281)	(20,000)
Proceeds on sale of property	9	340,158	-
<b>Net cash flows from investing activities</b>		<b>95,877</b>	<b>(20,000)</b>
<b>Cash flows from financing activities</b>			
Cash received in advance of closing private placement		23,033	27,600
<b>Net cash flows from financing activities</b>		<b>23,033</b>	<b>27,600</b>
<b>Net Decrease in Cash</b>		<b>(153,435)</b>	<b>(46,975)</b>
<b>Cash, Beginning of the Period</b>		<b>172,247</b>	<b>65,106</b>
<b>Cash, End of the Period</b>		<b>\$ 18,812</b>	<b>\$ 18,131</b>

The accompanying notes are an integral part of these consolidated financial statements

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

*(all amounts in Canadian dollars)*

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

### Nature of Operations

Nuinsco Resources Limited (“Nuinsco” or the “Company”) is a company incorporated in Canada. The address of the Company’s registered office is 80 Richmond St. West, Suite 1800, Toronto, Ontario, M5H 2A4. The unaudited condensed interim consolidated financial statements of the Company as at and for the three and six months ended June 30, 2018 comprise the Company (“Condensed Interim Consolidated Financial Statements”) and its subsidiaries (together referred to as “Nuinsco” and individually as “Nuinsco entities”). Nuinsco is primarily engaged in the acquisition, exploration and evaluation of properties for precious and base metals.

### Going Concern

The Company’s Condensed Interim Consolidated Financial Statements have been prepared using the going concern assumption, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at June 30, 2018, the Company had working capital of \$290,622 (December 31, 2017 – working capital deficiency of \$93,462). Working capital (deficiency) is defined as current assets less current liabilities.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to: continuing losses, dependence on key individuals, and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company’s projects through exploration and development to the production stage will require significant financing. Given the current market for junior exploration and development companies and due to the fact that the Company’s shares are not presently listed for trading on a formal stock exchange, the ability to raise funds has been and may continue to be difficult. Refer to Note 4.

None of the Company’s projects are currently in commercial production and, accordingly, the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The Company’s ability to continue as a going concern is dependent upon the Company’s ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

The Company’s management continues to be engaged in securing financing. There are no assurances that the Company will be successful in obtaining any financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs. Effective May 11, 2015, the Company voluntarily delisted its shares from the Toronto Stock Exchange. Since delisting the Company has maintained its corporate office and has continued to maintain its website, telephones and email communication with shareholders. During this time the Company has also managed to continue to evaluate exploration and development opportunities and entered into the option agreement on the Sunbeam gold property. At the appropriate time, the Company intends to relist on a Canadian stock exchange.

If the Company is unable to obtain additional financing, it will be required to curtail all of its operations and may be required to liquidate its assets.

Should the Company not be able to continue to obtain the necessary financing, achieve favourable exploration results, achieve future profitable production or the sale of properties or improve its liquidity sufficient to enable it to fund operations, the Company’s ability to continue as a going concern will be compromised. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

The Condensed Interim Consolidated Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

(all amounts in Canadian dollars)

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## 2. BASIS OF PREPARATION - CONTINUED

Standards Board ("IASB") and in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). This is GAAP for a Canadian public company.

The management of Nuinsco prepares the Condensed Interim Consolidated Financial Statements which are then reviewed by the Audit Committee and the Board of Directors. The Condensed Interim Consolidated Financial Statements were authorized for issue by the Board of Directors on August 14, 2018. Shortly thereafter, the financial statements are made available to shareholders and others through filing on SEDAR.

### (b) Basis of Measurement

The Condensed Interim Consolidated Financial Statements have been prepared on the historic cost basis except for derivative financial instruments such as warrants and the Participating Interest which are measured at fair value with changes through operations.

### (c) Functional and Presentation Currency

These Condensed Interim Consolidated Financial Statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated.

### (d) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

The accompanying Condensed Interim Consolidated Financial Statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

### ***Significant estimates and assumptions***

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information regarding significant areas of estimation uncertainty made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 9 measurement of the recoverable amounts of exploration and evaluation projects;
- Note 16 measurement of share-based payments.

### ***Significant Judgments***

Judgments are reviewed on an ongoing basis. Changes resulting from the effects of amended judgments are recognized in the period in which the change occurs and in any future periods presented.

Information regarding significant areas of critical judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the Condensed Interim Consolidated Financial Statements is included in the following notes:

### ***Significant Judgments***

- Note 1 going concern assessment;
- Note 9 classification of expenditures as exploration and evaluation projects or operating expenses;
- Note 9 impairment of exploration and evaluation projects;
- Note 20 disclosure of contingencies;



# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

*(all amounts in Canadian dollars)*

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## 3. SIGNIFICANT ACCOUNTING POLICIES

These Condensed Interim Consolidated Financial Statements reflect the accounting policies described in Note 3 to the Company's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016 ("2017 Audited Consolidated Financial Statements") (with the exception of any changes set out in this Note 3) and accordingly, should be read in conjunction with the 2017 Audited Consolidated Financial Statements and the notes thereto.

### (a) New Accounting Policies

There have been no new accounting policies adopted by the Company.

### (b) New Standards and Interpretations Not Yet Adopted

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing these Condensed Interim Consolidated Financial Statements unless stated otherwise. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

## 4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

### Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board fulfils its responsibility through the Audit Committee which is responsible for overseeing the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined. The Company's risk and control framework is facilitated by the small-sized and hands-on executive team.

### Credit Risk

Credit risk is the risk of an unexpected financial loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, receivables, and marketable securities.

### Cash

The Company's cash is held through large Canadian financial institutions. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board.

### Receivables

Amounts due are settled on a regular basis.

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Further, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

*(all amounts in Canadian dollars)*

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## 4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT - CONTINUED

due without incurring unacceptable losses or risking undue damage to the Company's reputation.

Presently, the Company is facing a significant shortfall in liquidity before it expects any cash flows from the Participating Interest. The Company continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs (Note 1).

The Company's objective is to maintain sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and marketable securities. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. When possible, spending plans are adjusted accordingly to provide for liquidity.

The Company manages its liquidity risk through the mechanisms described above and as part of Capital Management Disclosures below. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future.

All contractually-obligated payables are due within the next fiscal year with the exception of the Company's deferred director and management fees.

### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect the Company's income, the value of its exploration and evaluation properties or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### **Marketable securities**

Management actively monitors changes in the markets and management does not expect any counterparty to fail to meet its obligations. The Company's investments are generally in the junior natural resources sector and these companies are subject to similar areas of risk as the Company itself.

### **Currency risk**

The Company is exposed to currency risk on purchases, certain marketable securities and other payables that are denominated in a currency other than the respective functional currencies of Company entities, primarily the Canadian dollar. The currencies in which these transactions primarily are denominated are the United States dollars ("US\$"). The Company does not actively hedge its foreign currency exposure.

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash earns interest at variable short-term rates. Accordingly, the estimated effect of a 50bps change in interest rate would not have a material effect on the Company's results of operations.

### **Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

*(all amounts in Canadian dollars)*

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## 4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT - CONTINUED

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The Company has a small but hands-on and experienced executive team which facilitates communication across the Company. This expertise is supplemented, when necessary, by the use of experienced consultants in legal, compliance and industry-related specialties.

### Capital Management Disclosures

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued project development and corporate activities. Capital is defined by the Company as the aggregate of its shareholders' (deficiency) equity as well as any long-term debt, equipment-based and/or project-based financing.

The Company manages its capital structure and makes adjustments to it based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, the Company's objectives are to obtain equity, long-term debt, equipment-based financing and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that these initiatives will be successful.

Neither the Company, nor any of its subsidiaries, are subject to externally-imposed capital requirements. There were no changes in the Company's approach to financial risk management or capital management during the period.

## 5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### *Fair value hierarchy*

The different levels of valuation are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs).

### **(a) Receivables**

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes only.

### **(b) Non-derivative Financial Assets**

Financial assets at fair value through operations include the Company's Participating Interest. The fair value of the Participating Interest is based on the net present value of expected cash flows taking into account the probability of cash flows as described in Note 11.

### **(c) Share-based Payment Transactions**

The fair value of employee share options is measured using the Black-Scholes option-pricing model. Any service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

(all amounts in Canadian dollars)

### 6. CASH

	June 30, 2018	December 31, 2017
Bank balances	\$ 18,812	\$ 172,247
<b>Cash in the Statements of Cash Flows</b>	<b>\$ 18,812</b>	<b>\$ 172,247</b>

### 7. RECEIVABLES

	June 30, 2018	December 31, 2017
Sales tax receivable	\$ 35,553	\$ 16,616
Other receivables	82,993	35,451
Prepaid expenses and deposits	6,000	6,000
	<b>\$ 124,546</b>	<b>\$ 58,067</b>

### 8. PROPERTY AND EQUIPMENT

Equipment	Cost	Accumulated Depreciation	Carrying Amount
<b>Balance as at January 1, 2017</b>	\$ 426,674	\$ 377,805	\$ 48,869
Depreciation	-	9,754	(9,754)
<b>Balance as at December 31, 2017</b>	426,674	387,559	39,115
Depreciation	-	3,942	(3,942)
<b>Balance as at June 30, 2018</b>	\$ 426,674	\$ 391,501	\$ 35,173

### 9. EXPLORATION AND EVALUATION PROJECTS (INCLUDING MARKETABLE SECURITIES)

	Diabase Peninsula	Sunbeam	Prairie Lake	El Sid	Total
<b>Balance as at January 1, 2017</b>	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
Acquisitions	-	20,000	-	-	-
Project expenses	-	28,383	-	-	-
Reversal of previous impairment	459,204	-	-	-	459,204
<b>Balance as at December 31, 2017</b>	459,204	48,383	1,000	-	508,587
Acquisitions	-	-	-	153,120	153,120
Sale of royalties	-	-	-	(115,158)	(115,158)
Sale of project	(459,204)	-	-	-	(459,204)
Project expenses	-	47,864	-	44,809	92,673
<b>Balance as at June 30, 2018</b>	\$ -	\$ 96,247	\$ 1,000	\$82,771	\$ 180,018

Previously, as at December 31, 2015, all projects were written down due to the lack of funding of the Company and related uncertainty as to future spending on the properties. IFRS requires a write-down of the carrying value of assets

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

(all amounts in Canadian dollars)

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## 9. EXPLORATION AND EVALUATION PROJECTS (INCLUDING MARKETABLE SECURITIES)

to the net recoverable amount. Given the current market uncertainties, the valuation of mineral properties is difficult, and management cannot reliably estimate any recoverable amount. The Company will revisit the valuation of these assets at the end of every reporting period and will recognize a recovery if the fair value of these assets can be reliably determined.

### **Prairie Lake**

The Prairie Lake project, located near Marathon, Ontario, is a large intrusion hosting a number of elements of potential commercial interest including phosphorus (P), niobium (Nb) tantalum (Ta), uranium, rare earth elements (“REEs”), and other elements and compounds. The Prairie Lake project is owned 100% by the Company, is royalty-free and consists of nine claims comprising 38 claim units, encompassing 608 ha. Evaluation, analytical sampling, metallurgical and process testing is ongoing.

Diamond drilling, surface sampling and mapping programs were conducted in 2007, 2008, 2010 and 2013. The large-scale project has a current Exploration Target of between 515 and 630 million tonnes of mineralization grading between 3.0-4.0 P<sub>2</sub>O<sub>5</sub>, 0.009-0.11% Nb<sub>2</sub>O<sub>5</sub>, 18-21ppm Ta<sub>2</sub>O<sub>5</sub>, and the following REEs: 280-340ppm lanthanum, 650-790ppm cerium, 55-70ppm samarium, 300-360ppm neodymium, 85-100ppm yttrium.

### **Sunbeam Gold Property**

In 2017 (and finalized February 2018), the Company entered into an option agreement to acquire the Sunbeam Gold Property which is located about 30km northeast of Atikokan, north-western Ontario and is readily accessible by road. The property is composed of nine mining claims totalling 1,552ha and is the site of a former patented mining claim that encompassed the Sunbeam Mine. The immediate area of the Sunbeam Mine has seen no exploration activity since 1905. The terms to acquire 100% of the Sunbeam Gold Property are as follows:

- Cash payments of \$175,000 over four years of which \$20,000 was paid in 2017;
- Complete work programs totalling \$280,000 over four years, of which \$29,384 has been spent to date;
- Issued 1,000,000 common shares on signing the agreement;
- At the beginning of years two, three and four (the “Anniversary”), the Company shall issue 100,000 common shares. Should the total value of the 100,000 common shares issued be less than 40% of the annual cash payment (the value to be based on the share price on each Anniversary) the difference will be paid in cash.
- A net smelter return (“NSR”) royalty of 2.5% is retained by the vendors, 1% of which can be acquired by the Company for a one-time payment of \$1,000,000.

### **Egypt**

The Company is evaluating the economic viability of the El Sid gold dumps and tailings recovery located in the Eastern Desert of Egypt approximately 90km west of the Red Sea coast (“El Sid”). Three past producing gold mines are located on the project—the largest of which is the El Sid Mine that between 1940 and 1957 was Egypt’s largest gold producer. In Q1 2018, Nuinsco entered into an agreement (at a cost of \$147,000) with the project owner, Shalateen Resources (“Shalateen”), to evaluate the dumps and tailings for potential gold recovery. To fund the acquisition, the Company sold royalties on future gold, and associated minerals, produced from El Sid. As at June 30, 2018, the Company has received proceeds of \$110,550 from the sale of the royalties representing 13% of the distributable cash flow from the production of gold and associated minerals. This amount has been credited to the purchase price of El Sid.

### **Diabase Peninsula**

In February 2018, Nuinsco closed a transaction for the sale of its interest in the Diabase Peninsula (“Diabase”) uranium property in Saskatchewan’s Athabasca Basin to Uranium Energy Corp. (NYSE American: UEC, “UEC”) for

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

(all amounts in Canadian dollars)

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### 9. EXPLORATION AND EVALUATION PROJECTS (INCLUDING MARKETABLE SECURITIES) - CONTINUED

total consideration of \$471,204 comprised of cash and UEC shares. Nuinsco has received \$225,000 in cash and 139,418 common shares of UEC, at a fair value of US\$1.41 (C\$1.77) per share, as consideration for the sale. Additionally, Nuinsco issued 10,000,000 (to the original owner of the Diabase claim), subject to a four month hold from the date of issuance, of its own common shares, at a fair value issuance price of C\$0.0012 per share, as consideration for transaction costs on the sale. Management's previous estimate that the fair value of Diabase was \$nil was no longer appropriate given that the property sold for total consideration of \$471,204, therefore as at December 31, 2017, the previously recorded impairment was reversed in the amount of \$459,204 to write the Diabase property up to its fair value less costs to sell.

As at June 30, 2018, the shares of UEC had a fair market value of \$295,572, or US\$1.61 (C\$2.12) per share, resulting in an unrealized gain of \$65,788 and \$49,368 being reported for the three and six months ended June 30, 2018. As at August 14, 2018, the shares had a fair market value of US\$1.70 per share.

#### **Chibougamau Camp**

In December 2014, Nuinsco used a significant piece of its equity position in CBay Minerals Inc. ("CBAY") to extinguish \$2.6 million in debt and accrued interest. CBay owned assets in Chibougamau Quebec, which represented a very substantial presence in a mining camp which has produced 1.6 billion pounds of copper and 3.2 million ounces of gold from 18 past-producing mines on the Lac Doré complex alone. Nuinsco retained a 7.5% interest in CBay and, pursuant to a management agreement (the "Management Agreement"), continued to manage and share management, administrative assistance and facilities with CBay.

In August 2017, Nuinsco sold its 7.5% interest in CBay to Ocean Partners Limited ("Ocean Partners") for total consideration of \$400,000 comprised of \$300,000 in cash, a \$100,000 promissory note and retirement of debt owed to Ocean Partners. The promissory note is unsecured and is due eighteen months from the date of sale (the "Maturity Date"). No interest shall be payable on the principal, unless payment is not made to the Company on or before the Maturity Date (Note 10). This sale also resulted in the termination of the Management Agreement under which Nuinsco had been managing CBay's affairs. The sale resulted in a gain on sale in the amount of \$341,937.

#### **Pre-exploration write-offs**

Pre-exploration expenditures are written off at the end of each reporting period to *Pre-exploration write-offs* through operations. Pre-exploration costs relate to expenses on evaluating projects not owned by the Company. Pre-exploration costs in the amount of \$2,495 were written off during the three and six months ended June 30, 2018 (June 30, 2017 - \$500).

### 10. PROMISSORY NOTE RECEIVABLE

Nuinsco holds a promissory note in the principal amount of \$100,000, receivable from Ocean Partners. The promissory note is unsecured, non-interest bearing and is repayable in full on February 25, 2019. If payment is not made on or before the Maturity Date, an interest charge of \$1,000 per month shall accrue beginning on the Maturity Date. The fair value of the promissory note at acquisition, discounted at the market rate of 10% was \$86,125. During the three and six months ended June 30, 2018, the Company recorded accretion income of \$3,000 and \$5,500 (three and six months ended June 30, 2017 - \$nil). As at June 30, 2018, the carrying value of the promissory note was \$94,708 (December 31, 2017 - \$89,209).

### 11. PARTICIPATING INTEREST

Nuinsco holds an unsecured participating interest in the cash flows generated by Victory Nickel Inc. from the sale of frac sand (the "Participating Interest") from that company's 7 Persons frac sand plant near Medicine Hat, Alberta. The Company's participation in the net cash flows earned from the sale of frac sand is limited to a maximum of \$10,222,831 with a minimum of \$7,667,124 based on a sharing percentage of 52.16%.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

(all amounts in Canadian dollars)

## 11. PARTICIPATING INTEREST - CONTINUED

Because of the uncertainty of receiving future payments on the Participating Interest, as at December 31, 2015, the Company recorded an impairment of this Participating Interest and has recorded the value of the asset at \$nil. The Company will continue to monitor the frac sand market, and will re-evaluate the impairment of this asset at such time the market recovers.

## 12. LONG-TERM LIABILITIES

Long-term liabilities consist of accrued directors' fees \$288,438 (December 31, 2017 – \$495,413) and certain management consulting fees \$453,000 (December 31, 2017 – \$478,000). The directors and management have agreed to defer fees until the ongoing viability of the Company can be assured.

## 13. OPERATING LEASE

In September 2017, the Company entered into a one-year lease for office space at 80 Richmond Street West, Toronto, expiring September 2018. Future minimum lease payments to the expiry date are \$8,250.

## 14. SHARE CAPITAL AND OTHER COMPONENTS OF DEFICIENCY

### Share Capital

#### Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. The Company is also authorized to issue an unlimited number of Class A special shares, issuable in series, an unlimited number of Class B special shares, issuable in series, an unlimited number of Class C special shares, issuable in series, an unlimited number of Class D special shares, issuable in series, and an unlimited number of Class E special shares, issuable in series.

#### Number of shares issued and outstanding

There are no special shares outstanding; all shares are fully paid.

	Notes	Number of Shares	Amount \$'s
Balance as at December 31, 2016		346,986,957	98,393,149
Shares issued on private placement	(a)	2,990,000	30,600
Valuation of warrants issued as part of private placement	(a)	-	(6,100)
Balance as at December 31, 2017		349,976,957	\$ 98,417,649
Shares issued on sale of Diabase	(note 9)	10,000,000	12,000
Shares issued in accordance with the Sunbeam option agreement	(note 9)	1,000,000	1,512
Shares issued on settlement of debt	(b)	47,360,500	182,745
Shares issued on private placement	(c)	4,606,666	23,033
<b>Balance as at June 30, 2018</b>		<b>412,944,123</b>	<b>\$ 98,636,939</b>

- (a) On October 19, 2017, the Company closed a private placement financing for gross proceeds of \$30,600 through the issuance of 2,750,000 common share units (at \$0.01 per unit) ("Common Units) and 240,000 flow-through units (at \$0.0125 per unit) ("Flow Through Units"). Each Common Unit and each Flow Through Unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant can be exercised at \$0.015 for a period of the earlier of (a) 1 year from the date of closing or (b) six months from the date the Company's common shares are listed on a Canadian stock exchange. These warrants were assigned a value of \$6,100 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 1.53%; expected volatility of 165%; expected dividend yield of 0% and an expected life of one year. Expected volatility was based on the historical volatility of other comparable listed companies.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

*(all amounts in Canadian dollars)*

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## SHARE CAPITAL AND OTHER COMPONENTS OF DEFICIENCY – CONTINUED

- (b) On May 3, 2018, the Company settled debt in the amount of \$473,605 through the issuance of 47,360,500 common shares. \$386,975 of the debt was owed to directors and management (note 18). No warrants were issued as part of the debt settlement. On the date of issuance, the shares had a market value of \$182,745, resulting in a gain on settlement of \$290,860.
- (c) On May 3, 2018, the Company issued 4,606,666 flow-through common shares for the \$23,033. No warrants were issued as part of the issuance. The flow-through shares were issued at a price of \$0.005 representing a premium of approximately 31% to the market price. Two directors of the Company participated in this financing.

### Share Incentive Plan

The Company has a Share Incentive Plan which includes both a Share Purchase Plan and a Share Bonus Plan. The purpose of the Share Incentive Plan is to encourage ownership of common shares by directors, senior officers and employees of the Company and its designated affiliates and consultants who are primarily responsible for the management and profitable growth of its business, to advance the interests of the Company by providing additional incentive for superior performance by such persons and to enable the Company and its designated affiliates to attract and retain valued directors, officers, employees and consultants.

### Share Purchase Plan

Under the Share Purchase Plan, eligible directors, senior officers and employee of the Company and its designated affiliates and consultants can contribute up to 10% of their annual basic salary before deductions to purchase common shares. The Company matches each participant's contribution. The purchase price per common share is the volume-weighted average of the trading prices of the common shares on an exchange for the calendar quarter in respect of which the common shares are issued. Common shares acquired are held in safekeeping and delivered to personnel as soon as practicable following June 30, June 30, September 30 and December 31 in each calendar year. No common shares have ever been issued pursuant to the Share Purchase Plan. The maximum number of common shares issuable under the Share Purchase Plan is the lesser of: (i) that number of common shares that can be purchased with a dollar amount equal to 20% of the gross annual salary of the Participants (as defined in the Share Incentive Plan); and (ii) 1% of the aggregate number of issued and outstanding common shares (calculated on a non-diluted basis) from time to time.

### Share Bonus Plan

The Share Bonus Plan permits common shares to be issued as a discretionary bonus to eligible directors, senior officers and employees of the Company and its designated affiliates, and consultants from time to time. At the Company's Annual and Special Meeting of Shareholders held on June 18, 2012 (the "ASM"), shareholders approved an increase in the maximum number of common shares issuable under the Share Bonus Plan to 8,000,000.

The fair value of common share entitlements granted under the Share Bonus Plan is determined using the quoted market value on the date of grant for an aggregate fair value that was charged immediately. If the common shares are not listed on any stock exchange, the fair value of the common shares may be determined by the directors.

### Accumulated Other Comprehensive Income or Loss ("AOCI")

AOCI is comprised of the following separate components of (deficiency) equity:

#### **Net change of financial assets at fair value through OCI**

This comprises the cumulative net change in the fair value of financial assets at fair value through OCI.

#### **Income tax on OCI**

This comprises the amount of income tax determined to be required on the cumulative net change in the fair value of financial assets at fair value through OCI.



## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

(all amounts in Canadian dollars)

### 15. LOSS PER SHARE

The calculation of basic and diluted EPS for the three and six months ended June 30, 2018 and June 30, 2017 was based on the information in the table below.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
<b>Weighted average number of common shares - basic</b>	<b>394,466,908</b>	346,986,957	<b>375,292,402</b>	346,986,957
Effect of options granted and outstanding	<b>38,725,000</b>	40,475,000	<b>38,725,000</b>	40,475,000
Effect of warrants issued and outstanding	<b>1,495,000</b>	18,000,000	<b>1,495,000</b>	18,000,000
<b>Weighted average number of common shares - diluted</b>	<b>434,686,908</b>	405,461,957	<b>415,512,402</b>	405,461,957
Number of options excluded	<b>38,725,000</b>	40,475,000	<b>38,725,000</b>	40,475,000
Number of warrants excluded	<b>1,495,000</b>	18,000,000	<b>1,495,000</b>	18,000,000
<b>Net loss attributable to shareholders</b>	<b>\$ 160,323</b>	\$ (62,111)	<b>\$ (28,953)</b>	\$ (129,319)
<b>Basic loss per share</b>	<b>\$ 0.00</b>	\$ (0.00)	<b>\$ (0.00)</b>	\$ (0.00)
<b>Diluted loss per share</b>	<b>\$ 0.00</b>	\$ (0.00)	<b>\$ (0.00)</b>	\$ (0.00)

The effect of adjustments to the weighted average number of common shares would be anti-dilutive when the Company incurs losses. The table above provides the weighted average number of shares on a dilutive basis for periods when losses are incurred for information only. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options is based on quoted market prices for the respective periods during which the options were outstanding.

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

### 16. SHARE-BASED PAYMENTS

#### Description of the Share-based Payment Arrangements

The Company's share-based payment arrangements are as follows:

#### **Stock option plan (equity-settled)**

The Company has a Stock Option Plan to encourage ownership of its shares by key management personnel (directors and executive management), employees and consultants, and to provide compensation for certain services. The terms of the Stock Option Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant. No compensation is recognized when options are exercised. The number of shares reserved for issuance is not to exceed 15% of the aggregate number of common shares issued and outstanding (calculated on a non-diluted basis) from time to time.

As at June 30, 2018, the Company had 22,216,618 (December 31, 2017 – 13,246,544) common shares available for the granting of future options. Options are exercisable at the market price of the shares on the date preceding the date of grant.

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

(all amounts in Canadian dollars)

### 16. SHARE-BASED PAYMENTS - CONTINUED

#### Share Bonus Plan

The terms of the Company's Share Bonus Plan are set out in Note 14.

#### Terms and Conditions of Share-based Payment Arrangements

##### Stock Option Plan

The terms and conditions relating to the grants of the Stock Option Plan are as follows:

- Options issued during the period and granted to executive management, employee and consultants have a maximum term of ten years and are equity-settled. Of the options granted to management and employees, 50% vest immediately, while the remaining options are exercisable after one year. Options granted to consultants vest immediately.
- Options issued during the period and granted to directors have a maximum term of ten years and are equity-settled. All options granted to directors vest immediately.
- All options are to be settled by physical delivery of shares.

#### Disclosure of Share-based Payment Arrangements

##### Stock Option Plan

The following is a summary of the activity of options:

	Six months ended June 30, 2018		Year ended December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	40,475,000	\$ 0.01	44,675,000	\$ 0.02
Granted during the period	1,000,000	0.01	-	-
Expired during the period	(2,750,000)	0.03	(4,200,000)	\$ 0.07
Balance, end of year	38,725,000	\$ 0.01	40,475,000	\$ 0.01
Options exercisable, end of period	38,725,000	\$ 0.01	40,475,000	\$ 0.01

As at June 30, 2018, the options outstanding are as follows:

# Options	Exercise Price	Expiry date	Weighted average expiry (years)
4,200,000	\$ 0.02	December 17, 2018	0.46
350,000	\$ 0.01	February 5, 2020	1.60
33,175,000	\$ 0.01	April 18, 2021	2.80
1,000,000	\$ 0.01	April 9, 2023	4.78
38,725,000			2.58

On April 9, 2018, the Company issued 1,000,000 stock options to a consultant of the Company. The options have an exercise price \$0.01 and expire 5 years from the date of grant. The options were assigned a value of \$4,000 using the Black Scholes option pricing model with the following assumptions: expected volatility of 164%; expected dividend yield of 0%; risk-free interest rate of 1.53%; and expected life of 5 years.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

(all amounts in Canadian dollars)

## 16. SHARE-BASED PAYMENTS - CONTINUED

### Share purchase warrants

The following is a summary of the activity of warrants for the six months ended June 30, 2018 and the year ended December 31, 2017:

	Six months ended June 30, 2018		Year ended December 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year	1,495,000	\$ 0.015	18,000,000	\$ 0.01
Expired during the period	-	-	(18,000,000)	(0.01)
Granted during the period	-	-	1,495,000	0.015
Balance, end of period	1,495,000	\$ 0.015	1,495,000	\$ 0.015

## 17. OPERATING SEGMENT

### Reporting Segment

The Company is engaged in the exploration and evaluation of properties for the mining of precious and base metals. The Company does not have formal operating segments and does not have operating revenues, products or customers. The corporate office operates to support the Company's projects which are currently located in Canada. Senior management makes decisions by considering exploration potential and results on a project basis. Any applicable amounts relating to projects are capitalized to the relevant project as *Exploration and evaluation projects* on the consolidated balance sheets.

## 18. RELATED PARTIES AND MANAGEMENT AGREEMENTS

### Related Party Balances and Transactions

Short-term employee benefits provided by the Company to key management personnel include salaries, consulting fees and directors' fees. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue shares as part of the Share Bonus Plan and the Stock Option Plan.

Transactions with related parties for the six months ended June 30, 2018 and June 30, 2017 are shown in the following table:

	2018	2017
Short-term employee benefits	\$ 157,000	\$ 157,000

During the six months ended June 30, 2018, the Company was charged \$18,000 (six months ended June 30, 2017 - \$18,000) by CFO Advantage Inc., a company controlled by Kyle Appleby, the Chief Financial Officer of the Company. As at June 30, 2018, \$20,340 (December 31, 2017 - \$61,020) is included in accounts payable and accrued liabilities. On May 3, 2018, the Company settled \$57,630 of debt owing to CFO Advantage in exchange for 5,763,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039.

During the three and six months ended June 30, 2018, the Company was charged \$75,000 (six months ended June 30, 2017 - \$75,000) by Paul Jones, the Chief Executive Officer and director of the Company. As at June 30, 2018, \$312,835 (December 31, 2017- \$451,696) is owing and included in accounts payable and accrued liabilities. On May 3, 2018, the Company settled \$140,000 of debt in exchange for 14,000,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017 (unaudited)

(all amounts in Canadian dollars)

## 18. RELATED PARTIES AND MANAGEMENT AGREEMENTS - CONTINUED

During the six months ended June 30, 2018, the Company was charged \$24,000 (2017 - \$24,000) by Sean Stokes, Executive Vice President of the Company. As at June 30, 2018, \$102,000 (December 31, 2017 - \$98,000) is owing and included in accounts payable and accrued liabilities. On May 3, 201 the Company settled \$20,000 of debt in exchange for 2,000,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039.

During the six months ended June 30, 2018, the Company was charged \$nil (2017 - \$nil) by David Mchaina, former Vice President of the Company. As at June 30, 2018, \$nil (December 31, 2017 - \$2,960) is owing and included in accounts payable and accrued liabilities.

On May 3, 201 the Company settled \$246,975 of debt with directors of the Company in exchange for 24,697,500 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039.

## 19. COMPANY ENTITIES

### Significant Subsidiaries and Jointly-controlled Entities

		June 30, 2018	December 31, 2017
<b>Ownership Interest</b>	<b>Country of Incorporation</b>		
Lakeport Gold Corporation	Canada	100%	100%
Nuinsco Madencilik Sanaye Ticaret	Turkey	100%	100%
Nuinsco Exploration Inc.	BVI	70%	70%
Z-Gold Resources Limited (through Nuinsco Exploration Inc.)	Egypt	70%	70%
NuMENA Minerals Corp.	Canada	100%	100%

## 20. CONTINGENCY

### CRA Reassessment

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006; this amount does not include interest and penalties which could be substantial. The Company filed notices of objection on May 19, 2011. On July 22, 2011, the Company filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. On March 7, 2014, the Company received a notice of confirmation with respect to one entity whereby the CRA denied that entity's notice of objection and confirmed the reassessment. The Company has sought and is following the advice of its tax counsel in this matter.

The appeal process could be lengthy and the Company believes that its position is correct and that it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.



**NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018**

**DATED AUGUST 14, 2018**

# **NUINSCO RESOURCES LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the three and six months ended June 30, 2018**

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of August 14, 2018 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2018 and 2017, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited condensed consolidated financial statements as at and for the three and six months ended June 30, 2018 ("Condensed Interim Consolidated Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information and discussion included in this Management's Discussion & Analysis ("MD&A") constitutes forward-looking information. Readers are encouraged to refer to the cautionary notes contained in the section Forward-Looking Statements at the end of this MD&A.

Readers are also encouraged to consult the audited consolidated financial statements for the years ended December 31, 2017 and 2016 ("2017 Audited Consolidated Financial Statements"). The unaudited Condensed Interim Consolidated Financial Statements and the 2017 Audited Consolidated Financial Statements are available at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.nuinsco.ca](http://www.nuinsco.ca). All amounts disclosed are in Canadian dollars unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

#### **NATURE OF OPERATIONS**

Nuinsco is an exploration and development company that has operated successfully for several decades. Nuinsco has discovered numerous mineral deposits including the Rainy River gold deposit in northwestern Ontario, now in production and owned by New Gold Inc., the Lac Rocher nickel deposit in Quebec now owned by Victory Nickel Inc. ("Victory Nickel") and the Cameron Lake gold deposit in Ontario which is currently owned by First Mining Gold Corp. to name a few. It is focused on identifying, exploring and developing mineral investment opportunities domestically and internationally. The Company currently has interests in projects prospective for gold, phosphate, rare metals and niobium in Canada's province of Ontario. Until August 2017, Nuinsco owned a 7.5% interest in CBay Minerals Inc. ("CBay"), a private company that has the dominant position in Québec's Chibougamau copper-gold mining camp. On August 28, 2017, the Company announced the sale of its interest in CBay for total consideration of \$400,000. In the first quarter of 2018, Nuinsco closed a transaction for the sale of its interest in the Diabase Peninsula uranium property in Saskatchewan's Athabasca Basin to Uranium Energy Corp. (NYSE American: UEC, "UEC") for total consideration of \$471,204.

The Company owns 100% of the very significant Prairie Lake project in Ontario and with its newly optioned Sunbeam Gold Property, is working to build shareholder value through systematic exploration on highly prospective ground. As funding permits, work programs have been planned for the Company's projects. In particular, at the Sunbeam Gold Property, high-grade gold mineralization is the target while at the Prairie Lake project, extensive metallurgical testing has indicated that several marketable minerals and products can be produced including a phosphate concentrate exceeding 30% P<sub>2</sub>O<sub>5</sub>.

The Company is also evaluating the economic viability of the El Sid gold dumps and tailings recovery project in the Eastern Desert of Egypt approximately 90km west of the Red Sea coast. Three past producing gold mines are located on the project—the largest of which is the El Sid Mine that between 1940 and 1957, was Egypt's largest gold producer. Nuinsco has entered into an agreement with the project owner, Shalateen Resources, to evaluate the dumps and tailings for potential exploitation.

In addition to its property holdings, Nuinsco owns a limited participating interest in the net cash flows of Victory Nickel's frac sand business (the "Participating Interest").

#### **Going Concern**

The Company's Condensed Interim Consolidated Financial Statements have been prepared using the going concern assumption, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at June 30, 2018, the Company had working capital of \$290,622 (December 31, 2017 – working capital deficiency of \$93,462). Working capital (deficiency) is defined as current assets less current liabilities.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to: continuing losses, dependence on key individuals, and the ability to secure adequate

financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company's projects through exploration and development to the production stage will require significant financing. Given the current market for junior exploration and development companies and due to the fact that the Company's shares are not presently listed for trading on a formal stock exchange, the ability to raise funds has been and may continue to be difficult. Refer to Note 4 in the Condensed Interim Consolidated Financial Statements.

None of the Company's projects are currently in commercial production and, accordingly, the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The Company's ability to continue as a going concern is dependent upon the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

The Company's management continues to be engaged in securing financing. There are no assurances that the Company will be successful in obtaining any financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs. Effective May 11, 2015, the Company voluntarily delisted its shares from the Toronto Stock Exchange. Since delisting the Company has maintained its corporate office and has continued to maintain its website, telephones and email communication with shareholders. During this time the Company has also managed to continue to evaluate exploration and development opportunities and entered into the option agreement on the Sunbeam gold property. The Company is currently working to relist on a Canadian stock exchange.

If the Company is unable to obtain additional financing, it will be required to curtail all of its operations and may be required to liquidate its assets.

Should the Company not be able to continue to obtain the necessary financing, achieve favourable exploration results, achieve future profitable production or the sale of properties or improve its liquidity sufficient to enable it to fund operations, the Company's ability to continue as a going concern will be compromised. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

#### **SIGNIFICANT EVENTS**

In the first quarter of 2018, Nuinsco closed a transaction for the sale of its interest in the Diabase Peninsula uranium property in Saskatchewan's Athabasca Basin to UEC for total consideration of \$471,204 comprised of cash and UEC common shares. Nuinsco has received \$225,000 in cash and 139,418 common shares of UEC, at a fair value of US\$1.41 (C\$1.77) per common share, as consideration for the sale. In addition, Nuinsco issued 10,000,000 common shares at a deemed price of \$0.0012 per share as consideration for transaction costs on the sale. As a result, a recovery of the fair value of this asset was recognized as at December 31, 2017 in the amount of \$459,204. The market price of UEC shares at August 14, 2018 was US\$1.70 per share.

The Sunbeam Gold Property is road accessible and located 30km northeast of Atikokan, Ontario. It is hosted by altered trondhjemite of the Marmion Lake Batholith. At the core of the property are old workings which date from the beginning of the 20<sup>th</sup> century which have not been the subject of any work in over 100 years, but historic records report high-grade gold mineralization, exceeding 13 g/t gold, from old workings. Mineralization around these workings occurs in an inclined shear zone up to 30m wide and known to be more than 300m in length. Multi-ounce gold surface samples have been obtained from sampling. The mineralization within the old workings is open along strike and to depth and grade appears to be improving with depth based upon historic sampling and reporting. Gold mineralization is widespread elsewhere on the property providing additional targets for exploration programs.

The Company has commenced initial evaluation of the project in preparation for geophysical surveys and more detailed exploration programs as funds become available.

The Company is also evaluating the economic viability of the El Sid gold dumps and tailings recovery project located in the Eastern Desert of Egypt approximately 90km west of the Red Sea coast. El Sid is easily accessible by a paved road that passes within 100m of the site. Three past producing gold mines are located on the project—the largest of which is the El Sid Mine that between 1940 and 1957 was Egypt's largest gold producer. The mineralization mined consists of sulphide and native gold bearing quartz veins in diorite and altered/deformed volcanic rock. The mines were high-grade, averaging approximately 30 g/t Au, for total estimated production of 175,000 tonnes.

A result of the historic mining activities is accumulated dumps of mine waste, which averages several grams per tonne gold, and tailings. In Q1 2018, Nuinsco won a competitive bid to evaluate and exploit the dumps and tailings (at a cost of \$147,000) from the project owner, Shalateen Resources. Initial estimates, based in part on historic data, are that the accumulated dumps and tailings have an average grade exceeding 3 g/t gold (all estimates are based upon historic information and Nuinsco is not treating this information as a current mineral resource or mineral reserve). In May 2018 further sampling was conducted that included the use of a backhoe for trenching the waste and tailings piles – samples were sent to Turkey for analysis and final results with completed QA/QC are anticipated shortly. Two samples were also collected for metallurgical testing and will be submitted to a laboratory in Canada.

The occurrence of broken mineralized rock in the waste dumps and tailings piles already at surface streamlines the process of evaluation of grade, tonnage, metallurgy and exploitation. Gravity concentration has been demonstrated to be an effective method of gold recovery at other projects in the area. Assuming the same holds true at the El Sid site, capital and operating costs are anticipated to be low and the timeline to production and revenue generation short relative to typical underground mine development.

## **OUTLOOK**

Nuinsco management is optimistic about the Company's future.

The past few years have been challenging for the Company and its shareholders. The decision in 2015 to voluntarily delist Nuinsco shares from the Toronto Stock Exchange was made for good reason – the high costs of sustaining a TSX listing could no longer be justified. With minimal cash in the treasury and a difficult financing market for junior exploration companies, management made the decision that preserving the value of Nuinsco's quality property assets must take precedence over the continuous public listing of its shares. Management believes that decision has proven to be justified and the Company is now in a position to commence trading again and proceed with project development.

In the interim Nuinsco management has monetized non-core assets in Chibougamau, Quebec (CBay) and Saskatchewan's Athabasca Basin (Diabase Peninsula). It also acquired the Sunbeam Gold project in northwestern Ontario - a high-grade gold opportunity with easy access that has seen no exploration for over 100 years, has known gold mineralization that is open to depth and along strike and is located within one of several gold-bearing structures that are known to be at least several kilometres in length. Further the Company is now evaluating the El Sid gold production opportunity in the Eastern Desert of Egypt – it has the potential to quickly generate cash flow with low capital costs and give the Company a measure of independence from the ups and downs of the equity markets. Each of these projects is discussed in some detail elsewhere in this MD&A.

The next step is to list Nuinsco's shares on a Canadian public stock exchange. This is expected to occur in the second half of 2018. In addition, management has substantial field work planned for the balance of the year. Prospecting/sampling and ground geophysics will be conducted during the summer. Diamond drilling is contemplated based on the results of the geophysics. Field evaluation of the El Sid opportunity has begun. If the results from this initial work are as anticipated and funding is available, the Company expects to expand the evaluation and begin mobilizing in preparation for processing of the El Sid gold-rich dumps and tails during the third or fourth quarter.

Management and the Board of Directors appreciates shareholders continued patience and support as we endeavour to advance the Company and its assets. 2018 represents a new beginning for Nuinsco. Management will continue to make every effort to create value for shareholders this year and beyond, and sincerely hopes that shareholders will see the potential in Nuinsco's strategy, projects and programs as we enter the next exciting chapter of your company's growth.

## **MINERAL PROJECTS**

### **Sunbeam Gold Property**

The Sunbeam Gold Property includes the historic Sunbeam Mine – a high-grade underground gold mine which operated from 1898 to 1905. The property consists of nine unpatented mining claims (97 units) in Ramsay-Wright Township in Northwestern Ontario and is accessible via well-maintained logging roads from Hwy 11.

The Sunbeam Gold Property is located 15km southeast of Agnico Eagle's Hammond Reef gold deposit and 27km northeast of the town of Atikokan. The Sunbeam Mine is hosted by a 30m wide sheared zone of altered schistose rock within the Marmion Batholith. Gold mineralization occurs within a 2.5-3.0m wide southwest striking quartz vein/chloritic schist system which dips moderately to the northwest. Historic underground development consisted of a combined inclined/vertical shaft to an approximate 400-foot depth with drifting along three levels (at ~100, 200 & 300 feet).



No records of the production totals from 1899-1903 exist. Reportedly 1,000 ounces of gold were recovered from 2,400 tons mined in 1904. A 1903 plan of the mine shows an average grade of ~13g/t Au in the historic workings. Previous workers have estimated that there could be 50,000-70,000t grading 13.0g/t Au remaining in old workings alone. There has been no exploration of the formerly patented mine site since the mine closed in 1905. Intermittent exploration surrounding the patent area was conducted between 1981 and 2012 by previous owners. In addition to property wide evaluation Nuinsco established grid control in preparation for the first ground geophysics to be conducted around the Sunbeam Mine. Ultimately a diamond drill program is anticipated evaluate the potential extension of gold mineralization at Sunbeam.

### **Prairie Lake**

The Prairie Lake project, located near Marathon, Ontario, is a large multi-commodity deposit containing phosphorus (P), niobium (Nb) tantalum (Ta), uranium, rare earth elements (“REEs”), and other elements and compounds of economic interest. The Prairie Lake property is owned 100% by the Company, is royalty-free and the mining-land tenure is secure for decades to come.

At Prairie Lake the Company continues to evaluate the potential for producing concentrates containing a number of minerals – including those containing phosphorus, REEs, niobium and other marketable products. With continued study and interpretation, the Company is developing a greater understanding of the technical and economic viability of the Prairie Lake project. The sheer size of the project, with a current Exploration Target of between 515 and 630 million tonnes of mineralization, coupled with the excellent logistics and ease of production all speak to its potential. The Company is actively seeking funding that will enable further work programs to be conducted – a desirable and useful goal in the near-term is the estimation of a maiden resource estimate on the project.

Further, Prairie Lake has the potential to produce a number of minerals for industries which are forecast to require substantially increasing supply over the coming years – high-tech and “green” industries that require the rare earth minerals and niobium to fabricate the products of tomorrow. Prairie Lake could also be a very significant source of phosphorus – an element with vital agricultural and industrial applications. The use of phosphorus in agriculture is essential in sustaining crop yields to supply an increasing world population. Other compounds with industrial applications are also being examined for economic viability. The abundance and diversity of minerals in the rocks that comprise the Prairie Lake complex provides broad scope for potential exploitation – the Company continues to evaluate the options to determine those elements and minerals that provide the greatest economic potential.

No additional field work was conducted on the project during 2017 and to date in 2018. Presently the core from a number of historic drill holes completed by Nuinsco but incompletely sampled is being cut by diamond saw so as to be available for.

### **Egypt**

Nuinsco has retained a presence in Egypt through its interest in Egypt-based Z-Gold Resources. The Company was actively exploring in Egypt and in total has been evaluating opportunities there for approximately nine years. Management regards the country as an underexplored opportunity for future mineral exploration and development and, as noted earlier, has won a competitive bid to evaluate El Sid (at a cost of \$147,000), a near-term gold production opportunity (see “Nature of Operations” and “Significant Events” above). To fund the acquisition, the Company began selling royalties on future gold and associated minerals produced from El Sid. As at June 30, 2018, the Company has received proceeds of \$110,550 from the sale of the royalties (“Royalties”) representing 13 % of the distributable cash flow from the production of gold and associated minerals. This amount has been credited to the purchase price of El Sid.

The Company continues to evaluate other mineral exploration, mining and processing opportunities in Egypt.

## **RESULTS OF OPERATIONS**

### ***Three and six months ended June 30, 2018 compared to the three and six months ended June 30, 2017***

#### *Revenues*

The exploration properties acquired by the Company are still in the early exploration and development stage. Until sufficient work has been completed to confirm the feasibility of any specific interest being placed into production, it is not anticipated that the Company will have any material revenue.

An excerpt of the expenses and other items for the three and six months ended June 30, 2018 and June 30, 2017 is as follows:

(in Canadian dollars)	<b>Notes</b>	Three months ended June 30,		Six months ended June 30,	
		<b>2018</b>	2017	<b>2018</b>	2017
<b>Other expenses</b>					
General and administrative	(a)	\$ 186,777	\$ 59,206	\$ 341,096	\$ 123,875
Share based payments		4,000	-	4,000	-
Write down of exploration and evaluation projects		7,265	-	23,783	-
Depreciation of property and equipment		1,917	2,405	3,942	4,944
Pre-exploration write-offs		-	500	2,495	500
<b>Loss before the undernoted</b>		<b>(199,959)</b>	(62,111)	<b>(375,316)</b>	(129,319)
Increase in fair value of marketable securities	(b)	65,788	-	49,368	-
Interest income		635	-	635	-
Accretion income	(c)	3,000	-	5,500	-
Gain on settlement of debt	(d)	290,860	-	290,860	-
<b>Net Income (Loss) and Comprehensive Income (Loss) for the Period</b>		<b>\$ 160,323</b>	\$ (62,111)	<b>\$ (28,953)</b>	\$ (129,319)

(a) General and administrative expenses consisted of accrued management and directors' fees, rent, salary for administrative staff, insurance, transfer agent, legal and other administrative costs to maintain the company in good standing. During 2017, pursuant to the Management Agreement with CBay, a portion of these expenses were recovered, and netted against the Company's expenses, therefore reducing the overall expense category.

(b) Represents the fair value adjustment on the shares of UEC that were received on the sale of Diabase.

(c) Accretion income related to the promissory note received on the sale CBay.

(d) On May 3, 2018, the Company settled debt in the amount of \$473,605 through the issuance of 47,360,500 common shares. \$386,975 of the debt was owed to directors and management (note 18). No warrants were issued as part of the debt settlement. On the date of issuance, the shares had a market value of \$182,745, resulting in a gain on settlement of \$290,860.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight quarters ended is as follows (rounded):

	2 <sup>nd</sup> Quarter 2018	1 <sup>st</sup> Quarter 2018	4 <sup>th</sup> Quarter 2017	3 <sup>rd</sup> Quarter 2017
Net income (loss)	\$ 160,323	\$ (189,276)	\$ 261,087	\$ 266,966
Total comprehensive income (loss)	\$ 160,323	\$ (189,276)	\$ 261,087	\$ 266,966
Income (loss) per share - basic and diluted	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)

	2 <sup>nd</sup> Quarter 2017	1 <sup>st</sup> Quarter 2017	4 <sup>th</sup> Quarter 2016	3 <sup>rd</sup> Quarter 2016
Net loss	\$ (62,111)	\$ (67,208)	\$ (276,000)	\$ (45,000)
Total comprehensive loss	\$ (62,111)	\$ (67,208)	\$ (245,000)	\$ (45,000)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Variations in the quarterly results of operations are largely a function of the timing of property and other write-downs, gains on sales of properties, income tax recoveries, the recording of amortization of flow-through premiums and the recognition of gains on derivatives or other fair value changes recognized through operations. Variations in comprehensive income are primarily a function of the changes in the fair values of the Company's marketable securities.

### LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2018, the Company had a working capital of \$290,622 (December 31, 2017 – working capital deficiency of \$93,462); being defined as current assets less current liabilities.

The Company had a decrease of cash and cash equivalents of \$153,435 during the six months ended June 30, 2018, compared with a decrease of \$46,975 during the same period in 2017. The decrease in cash was related to the \$272,345 of cash spent on operating activities, \$244,281 spent on exploration and evaluation projects. These cash outlays were offset by \$225,000 of cash proceeds on the sale of the Diabase property, \$115,558 received on the sale of Royalties, and \$23,033 for the sale of flow through shares.

On May 3, 2018, the Company settled debt in the amount of \$473,605 with the issuance of 47,360,500 common shares.

The table below summarizes Nuinsco's contractual commitments as at the date of this MD&A.

<u>Contractual Commitment</u>	<u>Term</u>
Operating lease - premises	One-year term expiring September 2018

As described above, management is continuing to actively pursue additional ways to realize on the potential of its assets or secure financing in order to continue to provide funds for operations in light of the current difficult economic circumstances. Flow-through financings can be used for domestic work programs but do not provide the funding necessary to meet corporate or foreign expenditures which do not qualify for flow-through eligibility.

The Company's management continues to hold discussions on securing financing. There are no assurances that the Company will be successful in obtaining any form of financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted and it will be required to curtail all of its operations and may be required to liquidate its assets under a formal process. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

### IMPAIRMENT ANALYSIS UPDATE

As at December 31, 2015, all projects were written down due to the lack of funding of the Company and related uncertainty as to future spending on the properties. IFRS requires a write-down of the carrying value of assets to the net recoverable amount. Given the current market uncertainties, the valuation of resource properties is difficult, and management cannot reliably estimate any recoverable amount. As a result, the Company has chosen to write down the value of the property assets. The Company will revisit the valuation of these assets at the end of every reporting period and will recognize a recovery if the fair value of these assets can be reliably determined (as was done with the Diabase property as at December 31, 2017).

The Company also monitors the value of the Participating Interest on an ongoing basis. In light of uncertainty over the timing of the payments and the depressed state of the oil and gas industry at the time, the Company wrote down the valuation of the Participating Interest to nil.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates used in the preparation of the Condensed Interim Consolidated Financial Statements include determining the carrying value of investments and Evaluation and Exploration ("E&E") projects, assessing the impairment and classification of long-lived assets, assessing the allocation of assets into their components, the fair value of the

Participating Interest and the valuation of share-based payments and warrants, assessing the value of deferred income tax assets and the disclosure of contingencies and going concern matters. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates, judgements and measurement uncertainty, reference should be made to Notes 2 and 3 to the Company's 2017 Audited Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption.

The recorded value of the Company's E&E projects is based on historic costs (subject to impairment) that are expected to be recovered in the underlying mineral resources associated with the properties. The Company is in an industry that is exposed to a number of risks and uncertainties and there is always the potential for a material adjustment to the value assigned to these assets.

The fair value of the share-based payments, until exercise, is calculated using the Black-Scholes option-pricing model that takes into account the exercise price, the expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield and the risk-free interest rate for the term of the option/warrant.

The Company has determined that it is not probable that it will generate returns sufficient to utilize its taxable losses prior to their expiry. This is a significant judgement that, dependent upon future events, may turn out to be incorrect.

### **NEW ACCOUNTING POLICIES**

There have been no new accounting policies adopted by the Company.

### **FUTURE ACCOUNTING CHANGES**

#### **New Standards and Interpretations Not Yet Adopted**

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the unaudited Condensed Interim Consolidated Financial Statements unless stated otherwise. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

### **CORPORATE GOVERNANCE**

As noted above, the Company's Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee, which is comprised of directors, none of whom are employees or officers of the Company, meets with management to review the Condensed Interim Consolidated Financial Statements to satisfy itself that management is properly discharging its responsibilities to the directors who approve the financial statements.

The Board of Directors has an Audit Committee consisting of financially literate, independent and unrelated directors. Given the small size of the current Board of Directors, formal Corporate Governance and Nominating and Compensation Committees have not been constituted, however Mr. Galipeau and Mr. Goldie, both of whom are considered independent and unrelated, perform the functions of the Corporate Governance and Nominating and Compensation Committees as part of their larger role as directors of the Corporation. Subsequent to the Company's Annual and Special Meeting, held on June 15, 2018, the Board of Directors appointed both Corporate Governance and Nominating and Compensation Committees.

### **RELATED PARTY TRANSACTION AND BALANCES**

Short-term employee benefits provided by the Company to key management personnel include salaries, consulting fees and directors' fees. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue shares as part of the Share Bonus Plan and the Stock Option Plan.

Transactions with related parties for the six months ended June 30, 2018 and June 30, 2017 are shown in the following table:

	<b>2018</b>	<b>2017</b>
Short-term employee benefits	<b>\$ 157,000</b>	<b>\$ 157,000</b>

During the six months ended June 30, 2018, the Company was charged \$18,000 (six months ended June 30, 2017 -

\$18,000) by CFO Advantage Inc., a company controlled by Kyle Appleby, the Chief Financial Officer of the Company. As at June 30, 2018, \$20,340 (December 31, 2017 - \$61,020) is included in accounts payable and accrued liabilities. On May 3, 2018, the Company settled \$57,630 of debt owing to CFO Advantage in exchange for 5,763,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039.

During the six months ended June 30, 2018, the Company was charged \$75,000 (six months ended June 30, 2017 - \$75,000) by Paul Jones, the Chief Executive Officer and director of the Company. As at June 30, 2018, \$312,835 (December 31, 2017- \$451,696) is owing and included in accounts payable and accrued liabilities. On May 3, 2018, the Company settled \$140,000 of debt in exchange for 14,000,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039.

During the six months ended June 30, 2018, the Company was charged \$24,000 (2017 - \$24,000) by Sean Stokes, Executive Vice President of the Company. As at June 30, 2018, \$102,000 (December 31, 2017 - \$98,000) is owing and included in accounts payable and accrued liabilities. On May 3, 2018 the Company settled \$20,000 of debt in exchange for 2,000,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039.

During the six months ended June 30, 2018, the Company was charged \$nil (2017 - \$nil) by David Mchaina, former Vice President of the Company. As at June 30, 2018, \$nil (December 31, 2017 - \$2,960) is owing and included in accounts payable and accrued liabilities.

On May 3, 2018 the Company settled \$246,975 of debt with directors of the Company in exchange for 24,697,500 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039.

#### **OUTSTANDING SHARE DATA**

As at August 14, 2018, the Company had 412,944,123 common shares issued and outstanding. In addition, there were 38,725,000 stock options and 1,495,000 warrants outstanding.

#### **RECENT DEVELOPMENTS**

There have been no additional developments not already discussed elsewhere in this MD&A.

#### **CONTINGENCY**

##### **CRA Reassessment**

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006; this amount does not include interest and penalties which could be substantial. The Company filed notices of objection on May 19, 2011. On July 22, 2011, the Company filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. On March 7, 2014, the Company received a notice of confirmation with respect to one entity whereby the CRA denied that entity's notice of objection and confirmed the reassessment. The Company has sought, and is following the advice of its tax counsel in this matter.

The appeal process could be lengthy and the Company believes that its position is correct and that it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

#### **RISKS AND UNCERTAINTIES**

For a discussion in respect of risks and other factors that could influence forward looking events, please refer to the factors discussed in the Company's MD&A for the year ended December 31, 2017, under the heading "Risks and Uncertainties". These factors are not and should not be construed as being exhaustive.

#### **Summary**

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector as well as those specific to the Company. Currently, the most significant risk is the ability of the Company to meet its cash obligations as they come due as the Company currently has very limited funds. Other risks include obtaining necessary financing under acceptable terms or finding strategic partners to fund expenditure commitments as they fall due, the extent to which it can outline natural resources on its properties and establish the economic viability of developing those properties and the political, economic and legislative stability of the territories in which the Company's interests are located. Furthermore, the development of any natural resource interest may take years to complete and the

resulting income, if any, from the sale of any natural resources produced by the Company is largely dependent upon factors that are beyond its control, such as costs of development, operating costs and the market value of the end product. Such risks are likely to be more extensive in foreign jurisdictions.

#### **FORWARD-LOOKING STATEMENTS**

**Forward-Looking Information:** This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates, working capital, ability to maintain operations and/or assumptions in respect of production, revenue, cash flow, financing, the probability of cash flows from the Participating Interest in Victory Nickel's frac sand business, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainties relating to the availability and costs of financing needed in the immediate future to permit the Company to continue to operate; uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainty of amount and timing of cash flows from the limited Participating Interest in Victory Nickel's frac sand business; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity or debt markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risks and Uncertainties" and elsewhere. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.